

Commonwealth of Kentucky
REVENUE CABINET

TAX CREDIT COMPUTATION SCHEDULE

(FOR A KIRA PROJECT OF C CORPORATIONS)

KRS 154.26-010 to 120

For taxable year ended

Mo. / Yr.

| | | | |
|---------------------|--|--|--|
| Name of Corporation | | Federal Identification Number _ _ _ _ _ | Kentucky Account Number _ _ _ _ _ |
| Location of Project | | Date KIRA Revitalization Agreement was Executed _ _ / _ _ / _ _ Mo. Day Yr. | Economic Development Project Number |

PART I. Computation of Taxable Net Income Excluding Net Income from KIRA Project

| | | |
|--|---|--|
| 1. Kentucky taxable net income from Form 720 | 1 | |
| 2. Less net income from KIRA project. If loss, enter amount of loss. Skip to Part II, line 5, and enter -0- as allowable credit (see instructions) (attach schedule) | 2 | |
| 3. Kentucky taxable net income excluding net income from KIRA project (line 1 less line 2) (if line 2 is greater than line 1, enter -0-) | 3 | |

PART II. Computation of KIRA Income Tax Credit

| | | |
|--|---------------------------|-------------|
| 1. Enter total income tax liability from Form 720, Part II, line 1 | 1 | |
| 2. Compute tax on amount from Part I, line 3: | | |
| | Taxable Net Income | Rate |
| (a) First \$25,000 | x | 4% |
| (b) Next \$25,000 | x | 5% |
| (c) Next \$50,000 | x | 6% |
| (d) Next \$150,000 | x | 7% |
| (e) All over \$250,000 | x | 8.25% |
| (f) Total (add (a) through (e)) | | 2(f) |
| 3. Income tax liability attributable to KIRA project (subtract line 2(f) from line 1) | | 3 |
| 4. Limitation (Column D from Schedule KIRA-T) | | 4 |
| 5. Allowable KIRA tax credit (lesser of line 3 or line 4). If this project is the corporation's only economic development project, enter the amount from this line on Form 720, Part II, line 2, and in Column E of Schedule KIRA-T. If the corporation has more than one economic development project, see instructions for Part II, line 5, on the reverse. | | |
| <p>► <i>Economic development project</i> means a project authorized under the Kentucky Industrial Development Act (KIDA), the Kentucky Rural Economic Development Act (KREDA), the Kentucky Jobs Development Act (KJDA), the Kentucky Industrial Revitalization Act (KIRA), the Kentucky Economic Opportunity Zone (KEOZ) or the Skills Training Investment Credit Act (STICA)</p> | | |
| | | 5 |



Form 720, Kentucky Corporation Income and License Tax Return, including this schedule *must be mailed* to Economic Development Tax Credits, Corporation Tax Branch, Revenue Cabinet, P.O. Box 181, Frankfort, Kentucky 40602-0181.

INSTRUCTIONS—SCHEDULE KIRA

PURPOSE OF SCHEDULE—This schedule is to be used by any corporation which has entered into a revitalization agreement for a Kentucky Industrial Revitalization Act (KIRA) project to determine the KIRA income tax credit allowed against the Kentucky corporation income tax liability in accordance with KRS 141.403 on the income from the project.

GENERAL INSTRUCTIONS

The corporation must first complete Form 720, Kentucky Corporation Income and License Tax Return, and all appropriate schedules through Part II, line 1, to determine Kentucky taxable net income and tax due from the entire operations of the corporation. The corporation must then complete Schedule KIRA to determine the KIRA income tax credit.

License Tax—The corporation must complete Schedule KIRA-L to determine the KIRA license tax credit.

PART I, LINE 2 INSTRUCTIONS

If the corporation's only operation is the KIRA project, the amount entered on line 1 must be entered on line 2. If the corporation has operations other than the KIRA project, the corporation must attach schedules reflecting the computation of the net income from the KIRA project in accordance with the following instructions and enter such amount on line 2.

Separate Facility—In accordance with KRS 141.403(6), if the project is a totally separate facility, net income attributable to the project shall be determined by the separate accounting method.

Alternative Methods—In accordance with KRS 141.403(8), if the approved company can show that the nature of the operations and activities of the approved company are such that it is not practical to use separate accounting to determine net income from the facility at which the project is located, the approved company shall determine net income attributable to the project using an alternative method approved by the Revenue Cabinet. **Thus, if any method other than separate accounting is used to determine the net income from the project, a copy of the letter from the Revenue Cabinet approving the alternative method must be attached to this schedule.**

Computing Net Income by Separate Accounting—To compute net income from the facility by separate

accounting, gross income directly attributable to the facility shall be reduced by expenses directly attributable to the facility and overhead expenses apportioned to the facility. The amounts of gross receipts and expenses to be included in this separate accounting computation should be determined in accordance with KRS 141.010 in effect for the year.

All gross receipts generated by the sale of product(s) produced by the facility as well as any miscellaneous income generated by the facility shall be included as gross income directly attributable to the facility.

Expenses directly attributable to the facility include, but are not limited to: cost of goods sold, labor, rent, depreciation, interest, supplies, maintenance, legal fees and selling expenses.

Overhead expenses apportioned to the facility are general corporate expenses that are not directly attributable to a specific facility. Overhead expenses shall be reduced by income items such as interest, royalties, etc., that are not directly attributable to a specific facility before being apportioned to the facility. The net expenses shall be apportioned to the facility by a ratio of total receipts of the facility over total receipts of the corporation.

PART II, LINE 5 INSTRUCTIONS

A corporation with **more than one economic development project** must separately compute the income tax credit derived from each project. Complete an applicable tax computation schedule (Schedule KREDA, Schedule KIDA, Schedule KJDA or Schedule KIRA) for each project. Approved companies claiming income tax credits for Skills Training Investment (STICA) must attach a copy of the final resolution received from the Bluegrass State Skills Corporation. Add the allowable credits from all projects. If the total allowable credits from all projects does not exceed the income tax liability reflected on Form 720, Part II, line 1, for the taxable year, enter the total on Form 720, Part II, line 2. If the total allowable credits from all projects exceeds the income tax liability reflected on Form 720, Part II, line 1, for the taxable year, Schedule TCS, Tax Credit Summary Schedule (For C Corporations with More Than One Economic Development Project), must be completed to reflect the amount of credit from each project that is claimed for the taxable year.